



City Housing Needs Assessment and Strategic Plan Bethlehem, PA





Overview

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- 2. Study Overview
- 3. Summary of Housing Needs
- 4. Summary of Existing Housing Conditions
- 5. Community Engagement & Preliminary Housing Strategies
- 6. Next Steps



Team Introductions







Reinvestment Fund is a mission-driven nonprofit organization that brings financial and analytical tools to partnerships that work to ensure that everyone has access to essential opportunities.

Atria Planning is a womanowned business that specializes in housing needs assessments, affordable housing, community development and market analysis. We help organizations assess current conditions and future potential through research of demographic, financial, and physical characteristics. collabo is a dynamic planning and urban design practice leading innovative and equitable neighborhood revitalization projects that generate positive results and improve the lives of local residents.



Housing Plan Goals

To develop a housing strategy that:

- Is grounded in a data-informed understanding of housing needs and current market conditions - local, regional, and national market trends.
- 2. Factors in the economic, fiscal, and political realities that define the City's scope of action and influence in the housing market.
- 3. Will make the most progress for the most people possible given prevailing market conditions and City capacity.



Study Overview

- Assess Housing Needs
 - Identify housing needs for Bethlehem residents with different incomes, race/ethnicity, tenure, age and household types
 - Project housing demand
- Assess Prevailing Market Conditions
 - Update the 2018 Market Value Analysis
 - Review Regulatory Policy & Development capacity
 - Identify Areas of Opportunity
- Gather Community Perspectives
- Identify Key Issues and Potential Strategies





Housing Needs Assessment

Summary of Housing Needs

- Moderately priced rental housing (1 bedrooms less than \$1,000; family units less than \$1,500) for local workers
- Preservation of existing moderately priced rental units to mitigate displacement and potential homelessness of very low-income households
- Homeownership opportunities less than \$200,000
- Rental assistance and home repair assistance to seniors on fixed incomes
- Transitional housing and low-rent units for homeless families and individuals combined with supportive services
- Land/buildings to increase the supply of rental housing



Housing in Context

- Recent surge in housing demand increasing rent prices in Lehigh Valley
 - Less expensive housing than New York New Jersey Philadelphia region
 - Working from home during and after Covid-19
 - More retirees as baby boomers
 - Would-be first-time homebuyers cannot access homeownership market
- Roughly 8,000 building permits issued in region 2019 2022 but 2/3 are single family and nearly all multi-family are market rate units
 - ~2% rental vacancy rate (6-7% considered 'healthy')
- Increase in costs (construction, shipping, labor, land) plus inflation make it challenging to build housing; developers meeting demand of middle and upper end of market
- Job growth and housing demand in the region will continue to increase
- Bethlehem, like other cities in region, has limited land for development –
 solutions require regional housing planning



Supply & Demand Challenges

- Rental vacancy rate recently reported at less than 2% a "crisis" in supply
 - (healthy rates between 6% and 8%)
- Increased demand spike in rent for all units; the "naturally" affordable rental units at the bottom of the market (apartments priced below \$1,000 a month) are effectively gone
- Roughly 8,000 building permits issued in region 2019 2022 but construction takes longer due to material costs and labor shortages
 - 2/3 are single family and nearly all multi-family are market rate units.

	Median Rent Oct. 2022	Units Available
Studio	\$1,168 - \$1,290	6
1 Bedroom	\$1,515 - \$1,638	35
2 Bedroom	\$1,870 - \$1,924	34
3 Bedroom	\$2,050 - \$2,130	23



What is Affordable?

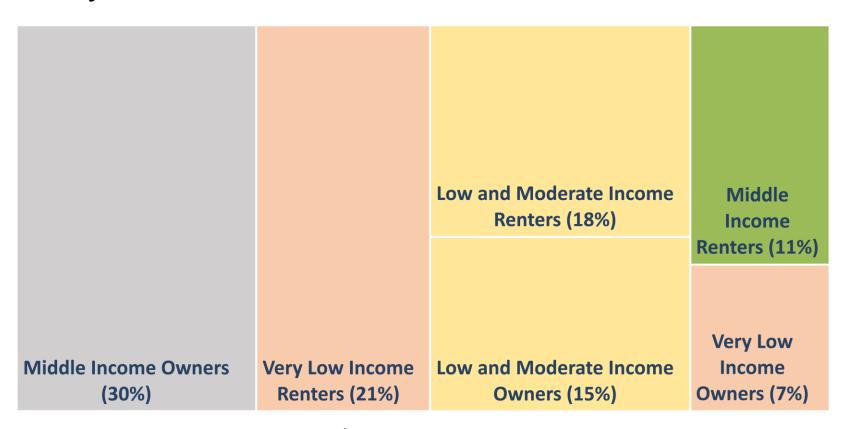
	Extremely Low Income	Very Low Income	Low Income	Moderate Income	Fair Market Rent (FMR)	Market Rent
	<30% of AMI	30% - 50% AMI	50% - 80% AMI	80% - 100% AMI	(Voucher value)	
1-person (Studio)	less than \$480	\$480 - \$790	\$790 - \$1,270	\$1,270 - \$1,590	\$834	~ \$1,200
2-person (1- bedroom)	less than \$550	\$550 - \$900	\$900 - \$1,450	\$1,450 - \$1,810	\$939	~ \$1,600
Family of 4 (3- bedroom)	less than \$680	\$680 - \$1,130	\$1,130 - \$1,810	\$1,810 - \$2,270	\$1,542	~ \$1,900

Home Price	Extremely Low Income	Very Low Income	Low Income	Moderate Income
1-Person	\$71,259	\$118,715	\$190,123	\$237,579
Family of 4	\$101,649	\$169,464	\$271,263	\$339,078

Source: HUD Income Limits 2022 for the Allentown-Bethlehem-Easton MSA; HUD published Fair Market Rent 2022; affordability based on 30% of income or less on housing costs

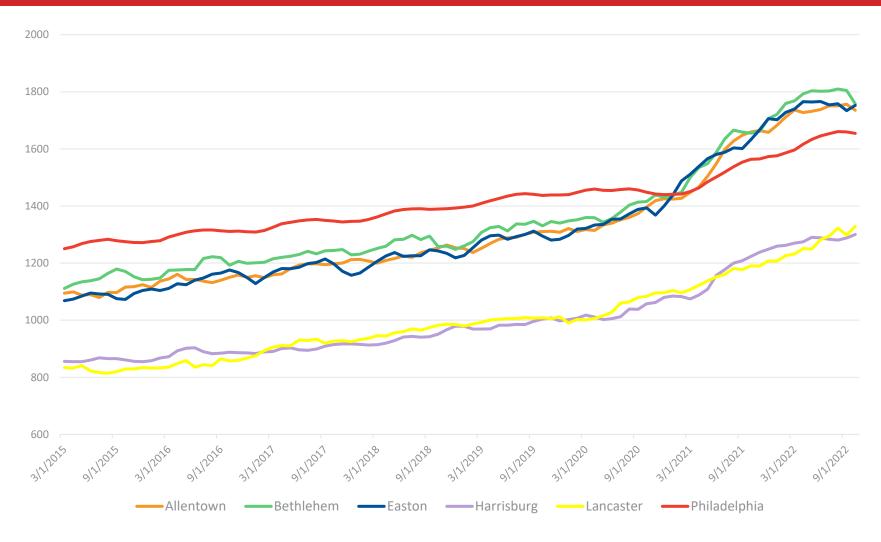
Income By Renter/Owner in Bethlehem

61% of Bethlehem's households are low and moderate income.



Source: HUD CHAS 2015 – 2019 retrieved August 2022

The Lehigh Valley is expensive, particularly for renters...



Source: Zillow Observed Rent Index: ZORI is a repeat-rent index that is weighted to the rental housing stock to ensure representativeness across the entire market, not just those homes currently listed for-rent. The index is dollar-denominated by computing the mean of listed rents that fall into the 40th to 60th percentile range for all homes and apartments.

Who could afford housing in 2019 and how has that changed?

	Rent (1 Person)	Purchase (Family of 4)
<30% AMI	No	No
50% AMI	No	No
80% AMI	Yes	Yes
100% AMI	Yes	Yes

	Rent (1 Person)	Purchase (Family of 4)
<30% AMI	No	No
50% AMI	No	No
80% AMI	No	No
100% AMI	Barely	Yes



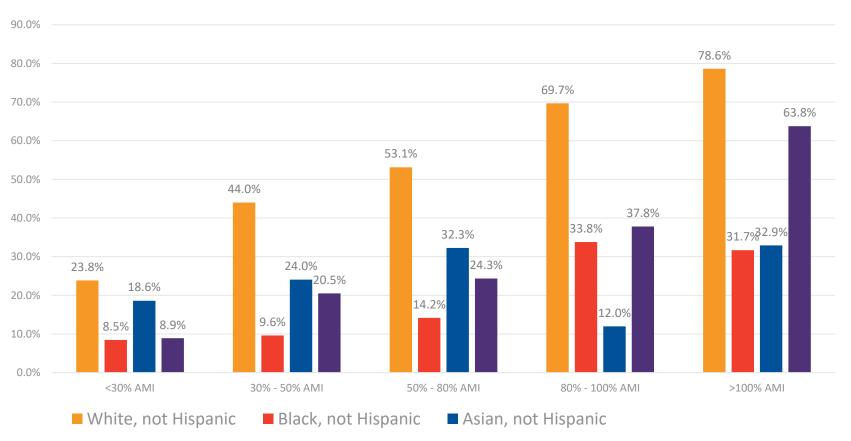
Affordability by Occupation

Position	Monthly Housing Budget	How hard will it be to find an apartment affordable to them?
Cook	\$567	Nearly Impossible
Cashier	\$587	Nearly Impossible
Retail Salesperson	\$705	Nearly Impossible
Packager	\$758	Nearly Impossible
Bus Driver	\$959	Very Challenging
Office Clerk	\$946	Very Challenging
Social Worker	\$1,217	Very Challenging
Paralegal	\$1,226	Very Challenging
Mailperson	\$1,357	Tough
Librarian	\$1,532	Tough
Web Developer	\$1,849	Doable
Nurse	\$1,946	Doable

Source: U.S. Bureau of Economic Analysis Median Wage by Occupation, 2021

Access to Homeownership by Race/Ethnicity

- Black/African American, Latino and Asian families have substantially lower homeownership rates than White/non-Hispanic households, even controlling for income
- With continually increasing rents and high interest rates, first-time homeownership is harder to achieve



Source: HUD CHAS 2015 – 2019 retrieved August 2022

Homelessness & Those At Risk

- With virtually no supply of rental units priced less than \$1,000, working families are at risk of homelessness
 - Bethlehem Area School District reported 414 homeless children registered in District
 - 53% increase in homeless families from 2020-2022
- Growing concern regarding rent increases for families who were renting "naturally affordable" apartments before pandemic.
- Ongoing needs for supportive services, emergency assistance, sheltering, and transitional housing



Bethlehem Households with Affordability Challenges

Income	<30% AMI	30% - 50% AMI	50% - 80% AMI	80% - 100% AMI	>100% AMI	All Households
Renters	2,673	1,697	1,837	143	170	6,520
Renters (%)	66.7%	74.8%	46.4%	11.9%	5.4%	44.8%
Owners	593	767	819	307	328	2,781
Owners (%)	79.6%	65.8%	31.9%	18.3%	3.8%	18.8%
All	3,266	2,464	2,656	450	498	9,301
All (%)	68.7%	71.7%	40.7%	15.6%	4.2%	31.7%

Source: HUD CHAS 2015 – 2019 retrieved August 2022



What would it take to address Bethlehem's affordable housing needs?

\$51 million annually in subsidy....

	Households with Cost Burden		med gap nold for 1-Bedroom)
Extremely Low Income	2,673	\$1,050	\$33,679,800
Very Low Income	1,697	\$700	\$14,254,800
Low Income	1,837	\$150	\$3,306,600
Total	6,207		\$51,241,200

Estimated cost to meet the affordability gap for low income renters



There are not enough resources to meet the need.

What can local government do?



Understand Existing Conditions –

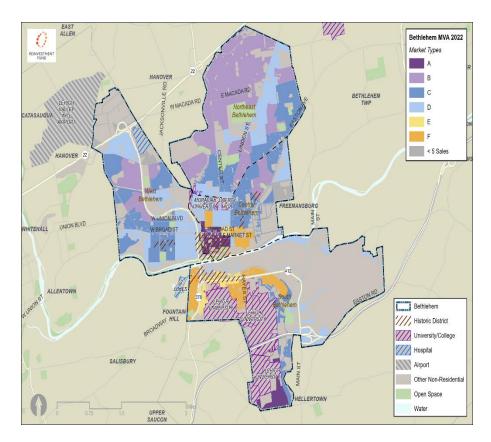
Market Value Analysis

The Market Value Analysis

The Market Value Analysis (MVA) is a tool to help residents and policymakers identify and understand the elements of their local real estate markets. It is an

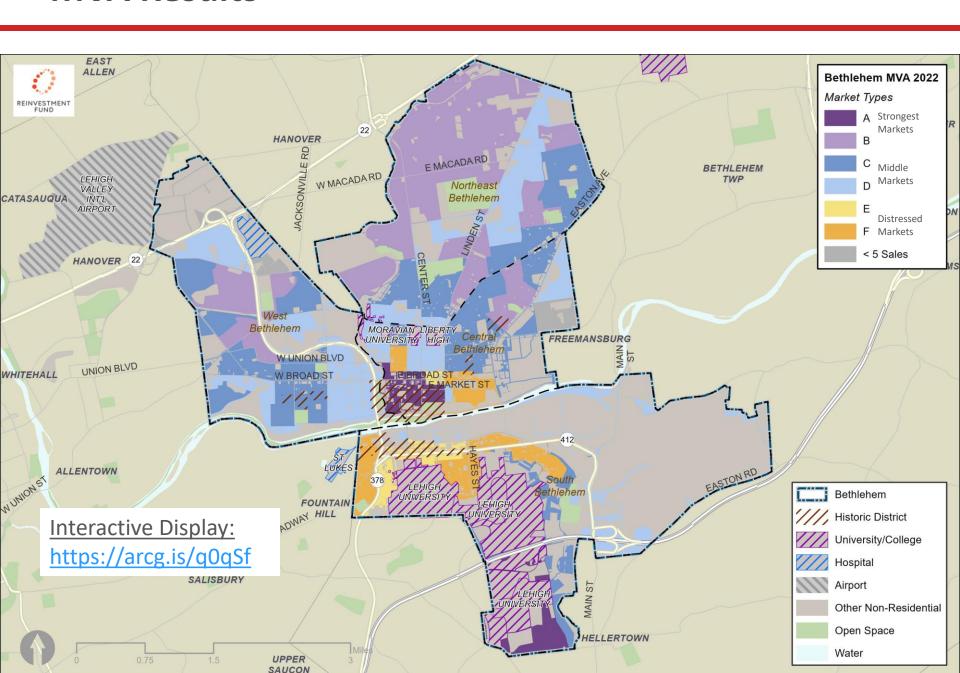
objective, data-driven tool built on local administrative data and validated with local experts.

With an MVA, public officials and private actors can more precisely target intervention strategies in weak markets and support sustainable growth in stronger markets.

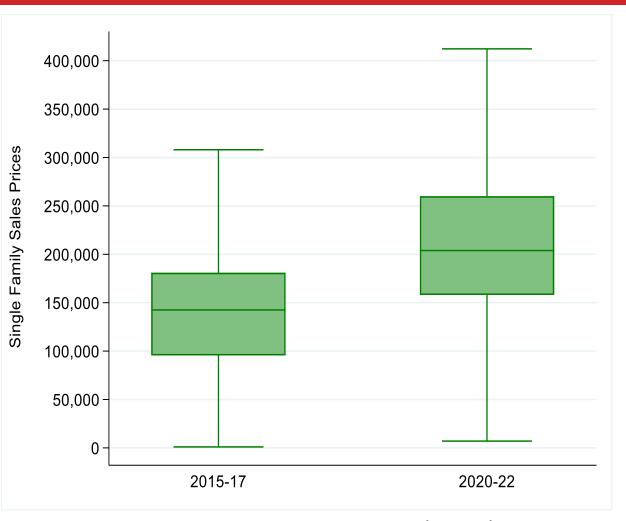




MVA Results



What's Really Changing in Bethlehem: Home Sales Prices



50% of all home sales are 'in the box'

In 2015-17 three quarters of homes in Bethlehem sold for less than \$181,000

In 2020-22 three quarter of homes in Bethlehem sold for more than \$158,000

Median Sales Price: \$142,500

Median Sales Price: \$203,866 (+43%) National Median Sales Price in 2022: ~ \$390,000

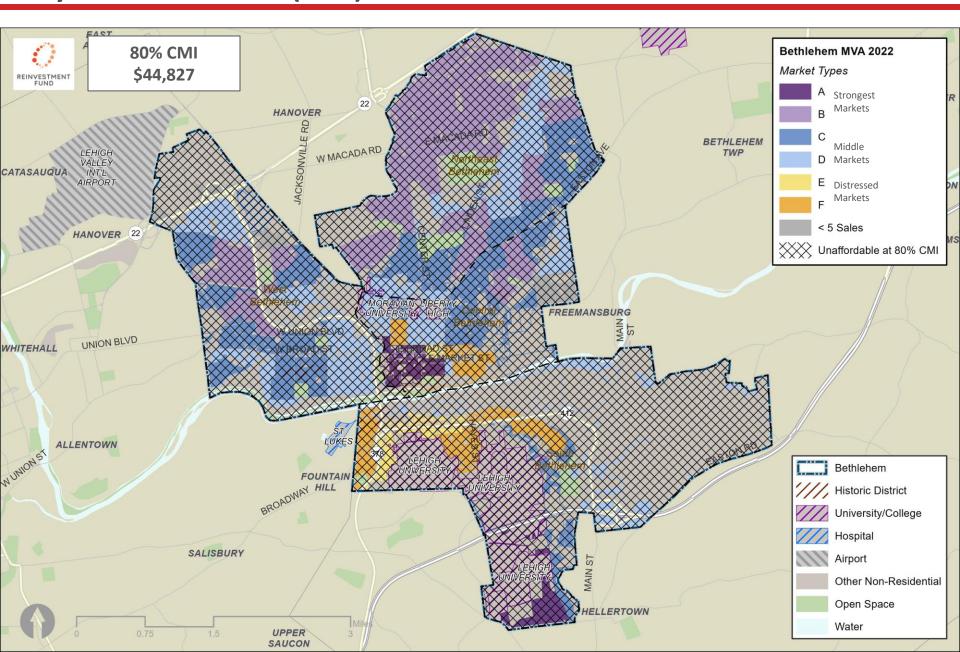




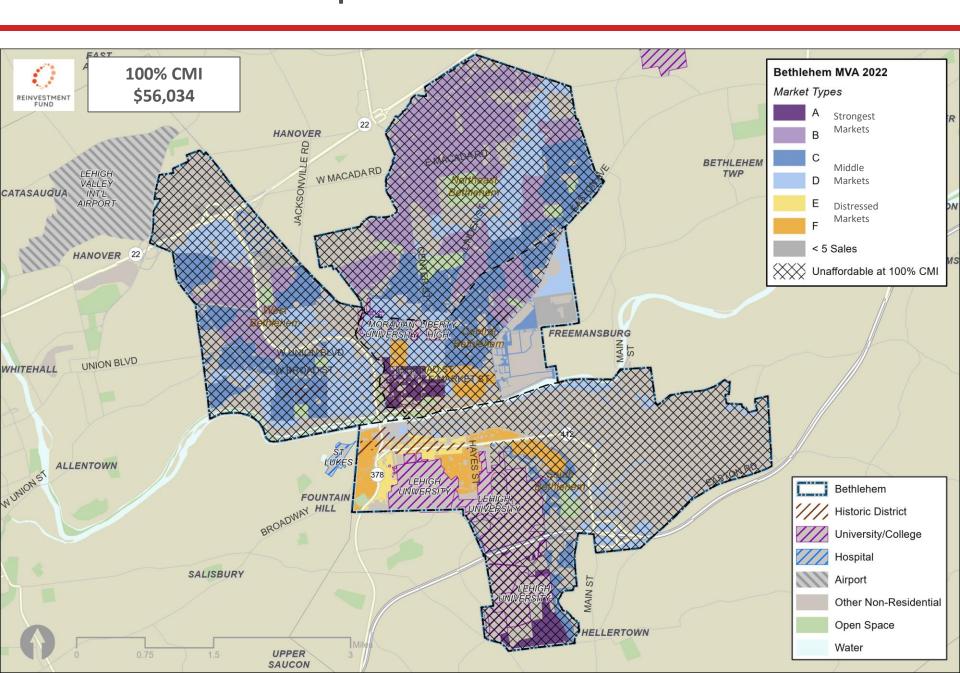
Housing Affordability - what places are accessible to residents at different income levels?

Displacement Risk - what places might residents be experiencing displacement pressure associated with rising home prices?

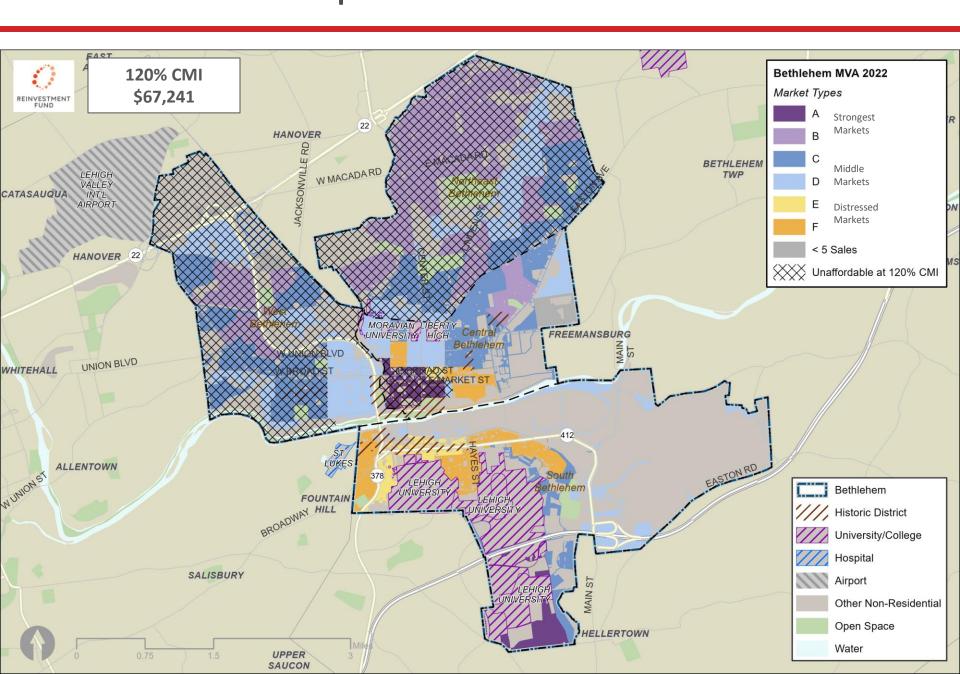
Unaffordable Block Groups for Residents with Incomes at 80% of City Median Income (CMI)



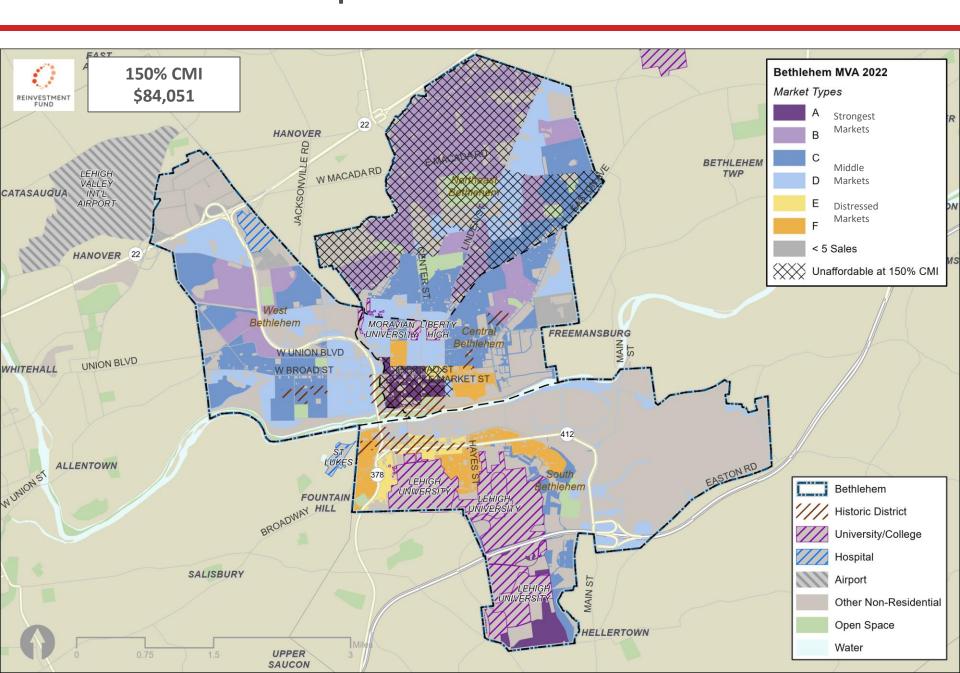
Unaffordable Block Groups for Residents with Incomes at 100% of CMI



Unaffordable Block Groups for Residents with Incomes at 120% of CMI



Unaffordable Block Groups for Residents with Incomes at 150% of CMI



Measuring Resident Displacement Risk

Our Approach to Measuring Housing Market Pressure and Resident Displacement Risk

The concern driving this approach is to measure the *involuntary* aspect of displacement.

The analysis identifies areas where current housing prices may be unaffordable to long-term residents.

Examines changes in the ratio of a long-term residents' income to housing prices to spotlight areas of concern.

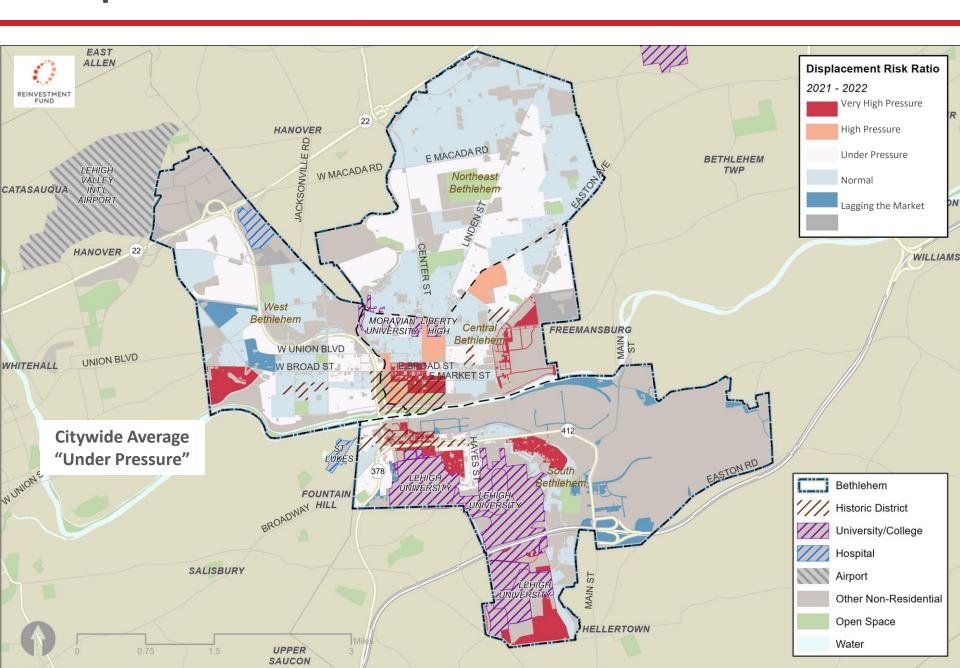
Households forced to leave their neighborhoods due to circumstances beyond their control (e.g., rising taxes, rent increase, condo conversion, neighborhood decline).

Assumes housing should be close to 3x family income (following HUD guidelines).

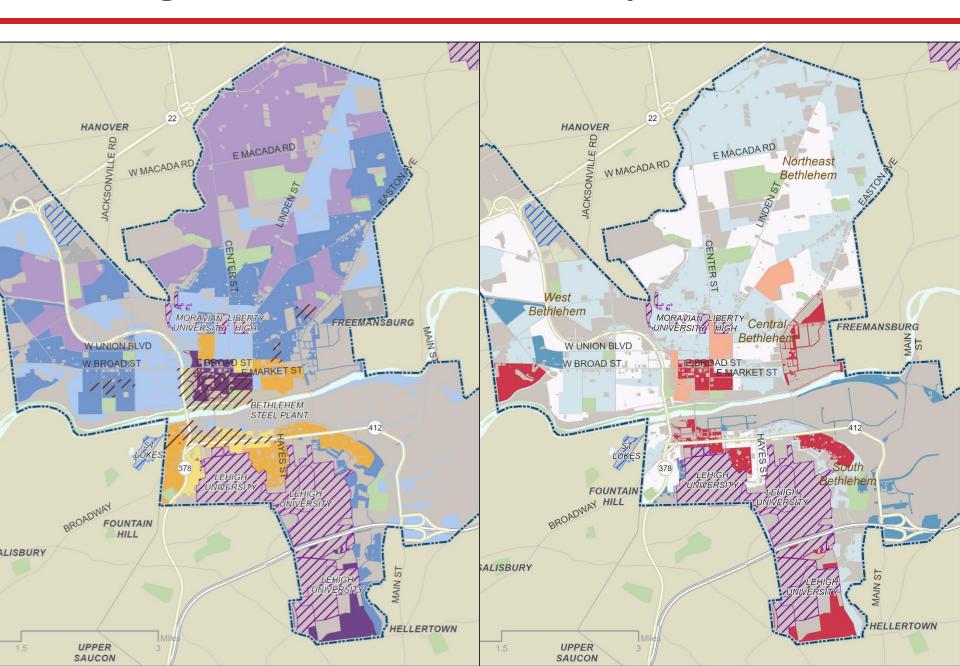
Healthy neighborhoods should be stable or follow regional trends. Areas with rapid increases (or decreases) in this ratio signal potential concern.



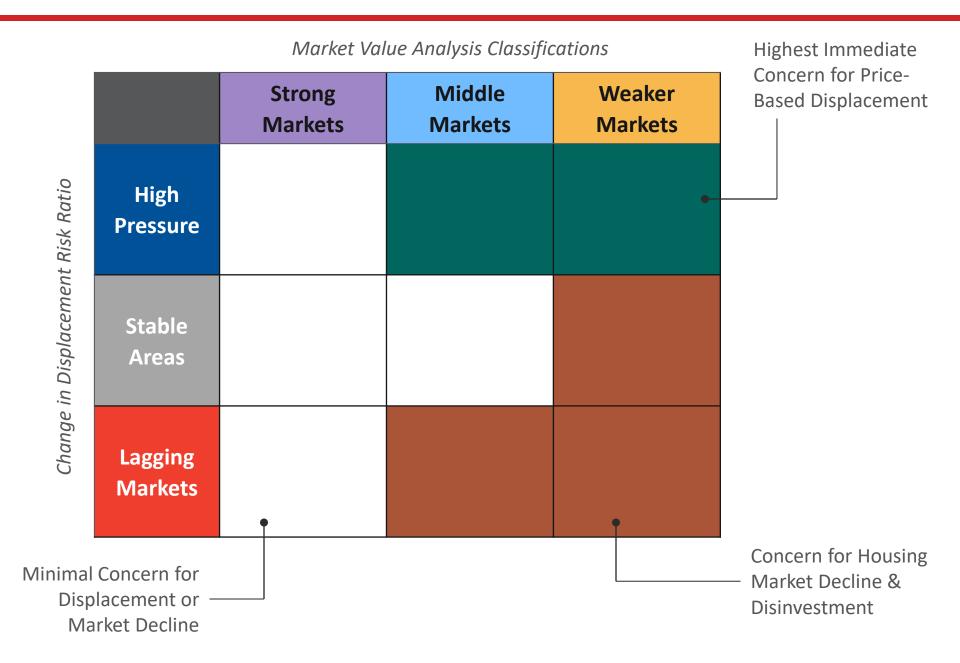
Displacement Risk: 2021 - 2022



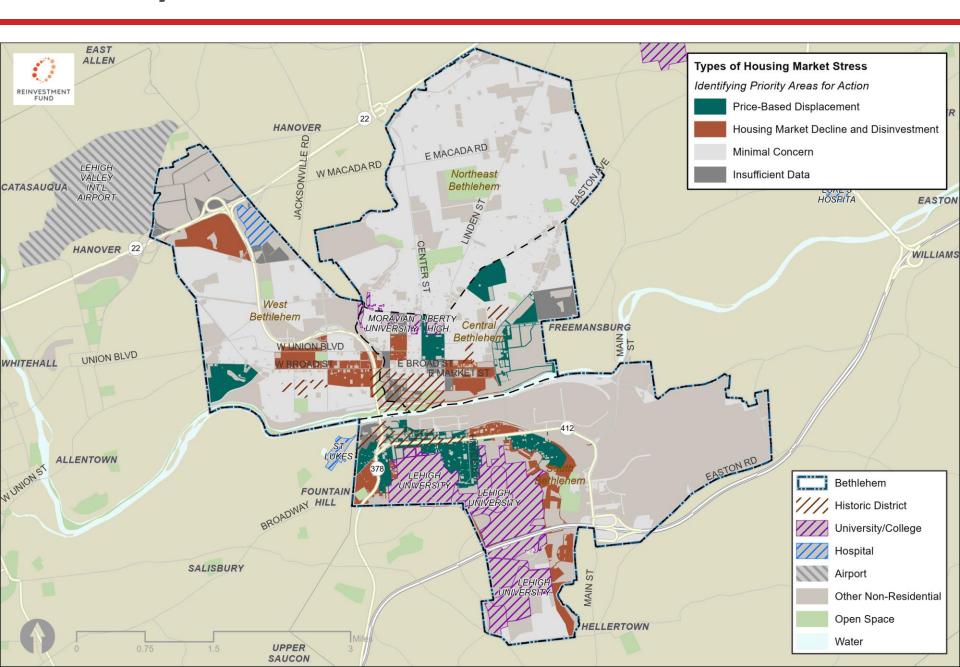
Existing Market Conditions and Displacement Risk



Identifying Types of Housing Stress



Priority Areas for Action





Gathering Community Perspectives & Developing Housing Strategies

Community Engagement Activities

- Pop Ups Tables set up at existing events asking participants to take part in a Housing Improvement Activity, a Housing Survey, and a map activity indicating where they reside.
 - 11 events from October to December
- Community Housing Survey
 - Administered from October 20 to December 15, 2022
 - 3,219 participants completed some or all of the Survey in person or online through the We Build Bethlehem platform.
- Focus Groups & Interviews with Key Housing Informants
 - 5 Focus Groups with 28 informants
 - 12 Interviews



General Approach to Increase Affordable Housing

Lower Costs

• Make it cheaper to build

Increase Funding

Apply for grants/ TA for others to apply for grants

Leverage

Use available funds as gap finance/revolving loan funds

Partner

 Contributions from employers, institutions, foundations and pooling resources with other jurisdictions



Bethlehem's Opportunities and Challenges

Challenges	Opportunities
 Building and land costs No available land Competitive and unpredictable funding sources NIMBYism Continually escalating rents Extremely low vacancy rates (~2%) Virtually no units available for less than \$1,000 per month Student housing demand 	 Job growth Developer interest Location Strong housing market Affordable housing market Momentum for housing policies Non-profit and institutional partners



City Authority & Capacity

With limited capacity to acquire, develop or manage housing, Bethlehem will need developers, non-profit organizations, other housing agencies and lenders to partner.

Permitting Zoning Code Enforcement Grant applications Public-Private Partnerships HUD and other Housing Programs Available funds Land or building acquisition (in a limited way) Housing construction Real estate finance Property management Public housing development



Current Affordable Housing Efforts in Bethlehem







Lead/Healthy Homes grant First-time homebuyer

Prevents landlords from hiking rents after improving properties.



Housing inspections

Every rental is inspected at least once every three years.



Can provide up to 10% of down payment plus closing costs.



Residential rehab/facade

Loans to qualified low-income property owners.



New Bethany Ministries

Eviction prevention and rapid rehousing.



Priority Areas to be Discussed at March 7 Meeting: Opportunities and Challenges

- 1. Preserve Existing Affordable Housing
- 2. Address Housing Needs of the Most Vulnerable
- 3. Create More Affordable Housing Units
- 4. Address Regional Housing Needs
- 5. Build Capacity and Momentum for Development



Housing Plan Goals

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Next Steps

- March 7th Council Meeting
 - Affordable Housing Strategies Primer
- Draft Housing Strategy Document in Consultation with:
 - Housing Committee made up of local housing stakeholders to provide key insights into strategy identification, feasibility, selection and geographic differentiation
 - City of Bethlehem Housing and Economic Development
- Final Housing Strategy Roll-Out in Late Spring



Questions



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